

KINGMAN AIRPORT AUTHORITY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

**KINGMAN AIRPORT AUTHORITY, INC.
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YEAR ENDED JUNE 30, 2012**

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kingman Airport Authority, Inc.
Kingman, Arizona

We have audited the accompanying basic financial statements of the Kingman Airport Authority, Inc. (Authority) as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Kingman Airport Authority, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kingman Airport Authority, Inc., as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Kingman Airport Authority, Inc.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Mesa, Arizona
October 12, 2012

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

We (the Kingman Airport Authority, Inc. (Authority)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Kingman Airport Authority, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$20,329,089 (net assets). Total net assets include \$18,668,266 in capital assets and \$1,660,823 in unrestricted assets.
- ◆ The Kingman Airport Authority, Inc.'s operations produced an operating loss of \$1,476,980 for the fiscal year. Although much of this loss can be attributable to non-cash depreciation expense on assets that were contributed by the federal government or acquired with the aid of grants, the Authority still relies on revenue from the building space and hangars that are continually leased to other parties.
- ◆ Lease revenues decreased by 7% \$571,948 to \$529,489.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves to introduce the Authority's basic financial statements. The Authority's basic financial statements have two components: 1) fund financial statements, and 2) notes to the basic financial statements. Separate government-wide financial statements are not presented since the Authority has only one enterprise fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Kingman Airport Authority, Inc., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of the Authority's activities are business-type activities and are accounted for in a single proprietary fund.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

The *statement of net assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net assets* presents information on how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Notes to Basic Financial Statements

The notes to basic financial statements (pages 11 - 19) provide additional information that is essential to a full understanding of the data provided in the fund financial statements and should be read with the financial statements.

FINANCIAL ANALYSIS

Net assets may serve as useful indicators of a government's financial position. At the end of the fiscal year, the Kingman Airport Authority, Inc.'s assets exceeded liabilities by \$20,329,089.

Airports are capital-intensive enterprises. Approximately 92% of the Authority's net assets are invested in capital assets. The Authority uses these assets to provide aviation access and services to the flying public and the surrounding community; consequently, these assets are not available for future spending.

**Table A-1
Net Assets**

	2012	2011	% Change
Current and Other Assets	\$ 1,708,056	\$ 1,830,524	(6.7) %
Capital Assets, Net of Accumulated Depreciation	18,668,266	19,999,223	(6.7)
Total Assets	<u>20,376,322</u>	<u>21,829,747</u>	
Other Liabilities	47,233	72,956	(35.3)
Total Liabilities	<u>47,233</u>	<u>72,956</u>	
Net Assets:			
Invested in Capital Assets, Net of Related Debt	18,668,266	19,999,223	(6.7)
Unrestricted	1,660,823	1,757,568	(5.5)
Total Net Assets	<u>\$ 20,329,089</u>	<u>\$ 21,756,791</u>	(6.6)

Net assets decreased by \$1,427,702 or 7% from the previous fiscal year-end. This was primarily due to decreased capital contributions received during the fiscal year.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

Business-Type Activities

All of the Authority's activities are classified as business-type activities. At the end of the current fiscal year, the Kingman Airport Authority, Inc. is able to report a positive balance in its net assets.

**Table A-2
Changes in Net Assets**

	2012	2011	% Change
REVENUES			
Leases	\$ 529,489	\$ 571,948	(7.4) %
Capital Grants and Contributions	28,750	4,613	523.2
Other	388,387	431,046	(9.9)
Total Revenues	<u>946,626</u>	<u>1,007,607</u>	(6.1)
EXPENSES			
Depreciation	1,397,537	1,401,983	(0.3)
Other Operating Expenses	976,791	1,164,720	(16.1)
Non-operating Expenses	-	18,214	(100.0)
Total Expenses	<u>2,374,328</u>	<u>2,584,917</u>	(8.1)
CHANGE IN NET ASSETS	(1,427,702)	(1,577,310)	(9.5)
Net Assets - Beginning of Year	21,756,791	23,334,101	(6.8)
NET ASSETS - END OF YEAR	<u>\$ 20,329,089</u>	<u>\$ 21,756,791</u>	(6.6)

Lease revenues decreased by \$42,459 due to decreased occupancy and rental rates.

Capital grants and contributions increased by \$24,137 mainly due to the increased funding from the Federal Aviation Administration for the Authority's capital improvements.

Other revenues decreased by \$42,659 primarily as a result of the Authority having no land sales during the fiscal year.

The Authority's expenses decreased by more than 8%. This decrease was due to reduced personnel and related costs and fewer repair and maintenance projects during the fiscal year.

BUDGETARY HIGHLIGHTS

The Authority prepares a budget annually which is submitted to the Board of Directors for approval during the spring of each year. The budget is used as a management tool; it is not a legally binding document. The budget and annual comparisons of actual to budget is prepared on the budgetary basis of accounting. There were no significant changes to the budget during the year. Although the budget is not legally adopted, it is an important management tool used throughout the fiscal year. See page 20 for a presentation of the budget to actual comparison for the fiscal year.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Kingman Airport Authority, Inc.'s capital assets as of June 30, 2012 amount to \$18,668,266 (net of accumulated depreciation), a net decrease of 7%. The capital assets include runways and taxiways; buildings; improvements; machinery and equipment. A large majority of these assets were contributed to the airport directly or were purchased with the aid of federal and state grants.

Major capital asset events during the current fiscal year included the following:

- ◆ Runway rehabilitation.
- ◆ Environmental assessment for land release.

The following table provides a breakdown of the capital assets of the Kingman Airport Authority, Inc. at June 30, 2012 and 2011.

**Table A-3
Capital Assets
(Net of Accumulated Depreciation)**

	<u>Business-Type Activities</u>	
	<u>2012</u>	<u>2011</u>
Land Improvements	\$ 14,769,497	\$ 15,938,166
Building and Improvements	3,100,863	3,271,075
Furniture, Machinery, and Equipment	318,178	376,834
Construction in Progress	479,728	413,148
Total Capital Assets	<u>\$ 18,668,266</u>	<u>\$ 19,999,223</u>

Long-Term Obligations

At the end of the current fiscal year, the Kingman Airport Authority, Inc. had no long-term obligations outstanding.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The general economy in Kingman remains flat, as the community is experiencing very little new construction. However, home sales are increasing at a modest rate and consumer confidence remains reserved. In the last year, job creation at the airport industrial park has started to offset job loss through plant layoffs, but the trend must continue for the employment level to reach the peak experienced in 2007.

National economic conditions as well as "difficult" economic conditions in California have reduced the number of new inquiries from East Coast and Midwest companies looking to expand operations into the Southwest. Kingman's location makes the community suited logistically for a manufacturer to service southern California, Arizona, Nevada, as well as parts of Utah and New Mexico overnight. Proceeds from land sales within the industrial park as a result of growth will be utilized to construct basic infrastructure and capital improvement projects for the airfield and industrial park.

Lease revenues and user fees will continue to fund the Authority's operations. Lease opportunities are being pursued and encouraged along with promoting land sales. New leases include an automatic annual adjustment of 3% of the base rate effective July 1, of each year, and as older leases expire, they will be replaced with language incorporating automatic adjustments as well.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Kingman Airport Authority, Inc.'s finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Kingman Airport Authority, Inc.
Accounting Department
7000 Flightline Drive
Kingman, AZ 86401
928-757-2134

**KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,544,155
Receivables, Net	
Accounts Receivable	97,141
Intergovernmental Receivable	66,260
Interest Receivable	500
Total Current Assets	<u>1,708,056</u>
Noncurrent Assets	
Capital Assets	
Non-Depreciable	479,728
Depreciable, Net, (Including Property on Operating Leases of \$1,653,883 Less Accumulated Depreciation of \$790,448)	<u>18,188,538</u>
Total Noncurrent Assets	<u>18,668,266</u>
Total Assets	<u><u>\$ 20,376,322</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 15,838
Accrued Wages and Benefits	1,906
Compensated Absences Payable	28,739
Customer Deposit Payable	750
Total Current Liabilities	<u>47,233</u>
Total Liabilities	47,233
Net Assets	
Invested in Capital Assets	18,668,266
Unrestricted	<u>1,660,823</u>
Total Net Assets	<u>20,329,089</u>
Total Liabilities and Net Assets	<u><u>\$ 20,376,322</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2012

Operating Revenues	
Leases	\$ 529,489
Intergovernmental	46,718
Airport Usage Fees	321,141
Total Operating Revenues	<u>897,348</u>
Operating Expenses	
Personnel	454,624
Payroll Taxes and Benefits	132,494
Office Expense	16,348
Professional Services	52,735
Maintenance and Repairs	37,681
Motor Pool	20,736
Operational Expense	262,173
Depreciation	1,397,537
Total Operating Expenses	<u>2,374,328</u>
Operating Loss	(1,476,980)
Nonoperating Revenues (Expenses)	
Contributions and Donations	12,769
Interest Revenue	5,745
Application Fees	400
Miscellaneous Revenues	1,614
Total Nonoperating Revenues (Expenses)	<u>20,528</u>
Income (Loss) Before Capital Contributions and Transfers	(1,456,452)
Capital Contributions	<u>28,750</u>
Change in Net Assets	(1,427,702)
Total Net Assets, Beginning of Year	21,756,791
Total Net Assets, End of Year	<u><u>\$ 20,329,089</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 937,786
Payments to Suppliers	(524,960)
Payments to Employees	(475,304)
Customer Deposits Received	(2,250)
Other Nonoperating Revenues	14,783
Net Cash Flows Used for Operating Activities	<u>(49,945)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Grants and Contributions	4,613
Purchases of Capital Assets	(66,580)
Net Cash Flows Used for Capital and Related Financing Activities	<u>(61,967)</u>
Cash Flows from Investing Activities:	
Interest	5,745
Net Cash Flows Provided from Investing Activities	<u>5,745</u>
Net Change in Cash and Cash Equivalents	(106,167)
Cash and Cash Equivalents, Beginning of Year	<u>1,650,322</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,544,155</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (1,476,980)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:	
Depreciation	1,397,537
Other Nonoperating Revenues	14,783
Change in Assets/Liabilities:	
Accounts Receivable	22,332
Intergovernmental Receivable	18,106
Accounts Payable	(2,793)
Accrued Wages and Benefits	(26,837)
Compensated Absences Payable	6,157
Deposits Payable	(2,250)
Net Cash Used for Operating Activities	<u><u>\$ (49,945)</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Kingman Airport Authority, Inc. (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Authority's more significant accounting policies follows.

A. Reporting Entity

The Kingman Airport Authority, Inc. (Authority) was incorporated in the State of Arizona in July 1992, as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airfield and Industrial Park, collectively known as the Airport for the City of Kingman, Arizona. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airfield and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property at no cost from the City of Kingman, Arizona under a long term lease. Primary sources of funding for the Authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airfield and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman, Arizona with the responsibility of carrying out the function of airport management.

In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth by accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.

In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements are not presented, as the Authority only engages in business-type activities. The Authority only has one fund, an enterprise fund. Accordingly, the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows report information for that single enterprise fund only.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net assets and statement of revenues, expenses and changes in net assets are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

The Authority reports the following proprietary fund:

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, authorities or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

2. Receivables

All trade receivables are shown net of an allowance for uncollectible receivables. The Authority annually reviews the balance in the reserve account during the budget process to determine if, based on past history, the account is adequate to cover current trade receivables. If judged to be inadequate, an additional amount is budgeted and recorded over the course of the year. Receivables from governments are assumed to be entirely collectible and are not included in this analysis.

3. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land Improvements	10-30 Years
Building and Improvements	7-30 Years
Furniture, Machinery and Equipment	3-8 Years

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See Note 4.C. for reconciliation).

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits at June 30, 2012 consist of the following:

Deposits:	
Cash in Bank	\$ 534,549
Certificates of Deposit	<u>1,009,606</u>
Total Deposits	<u>\$ 1,544,155</u>

Deposits - The Authority's deposits at June 30, 2012, were entirely covered by federal depository insurance and collateral accounts.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets

2. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 413,148	\$ 66,580	\$ -	\$ 479,728
Capital Assets, Being Depreciated:				
Land Improvements:				
Airfield	16,113,202	-	-	16,113,202
Industrial Park	9,048,640	-	-	9,048,640
Buildings and Improvements:				
Airfield	4,342,310	-	-	4,342,310
Industrial Park	2,060	-	-	2,060
Furniture, Machinery, and Equipment	825,133	-	-	825,133
Total Capital Assets, Being Depreciated	30,331,345	-	-	30,331,345
Accumulated Depreciation for:				
Land improvements:				
Airfield	(5,656,455)	(781,089)	-	(6,437,544)
Industrial Park	(3,567,221)	(387,580)	-	(3,954,801)
Buildings and Improvements:				
Airfield	(1,072,608)	(170,144)	-	(1,242,752)
Industrial Park	(687)	(68)	-	(755)
Furniture, Machinery, and Equipment	(448,299)	(58,656)	-	(506,955)
Total Accumulated Depreciation	(10,745,270)	(1,397,537)	-	(12,142,807)
Total Capital Assets, Being Depreciated, Net	19,586,075	(1,397,537)	-	18,188,538
Business-type Activities Capital Assets, Net	\$ 19,999,223	\$ (1,330,957)	\$ -	\$ 18,668,266

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets

2. Capital Assets

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:	
Airfield	\$ 1,009,889
Industrial Park	387,648
Total Depreciation Expense	<u>\$ 1,397,537</u>

3. Construction Commitments

The Authority has several active construction projects at June 30, 2012. The projects involve infrastructure, ramp reconstruction and other miscellaneous projects. At fiscal year end the Authority's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Environmental Assessment Land Release	\$ 228,279	\$ 82,221
Environmental Assessment For 80 Acres	71,988	13,808
Terminal Design	146,180	52,730
Runway Rehab	33,281	161,138
	<u>\$ 479,728</u>	<u>\$ 309,897</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 OTHER INFORMATION

A. Risk Management

The Kingman Airport Authority, Inc. is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no significant reductions in coverage from the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.

B. Lease Revenues

The Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-seven years. Most leases extending over a one-year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

The following is a summary of property on operating leases at June 30, 2012:

Buildings and Improvements - Airfield	\$ 1,637,969
Land and Improvements - Industrial Park	15,914
Less: Accumulated Depreciation	<u>(790,448)</u>
	<u><u>\$ 863,435</u></u>

Minimum future rentals to be received on non-cancelable leases as of June 30, 2012, for each of the next five years and in the aggregate are:

<u>Year Ended June 30,</u>	
2013	\$ 663,710
2014	136,947
2015	137,396
2016	135,554
2017	96,596
Subsequent to 2017	<u>919,382</u>
Total Minimum Future Rentals	<u><u>\$ 2,089,585</u></u>

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Budgetary Basis of Accounting

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	<u>Enterprise Fund</u>	
	<u>Total Operating Revenues</u>	<u>Total Operating Expenses</u>
Statement of Revenues, Expenses and Changes in Fund Net Assets	\$ 897,348	\$ 2,374,328
Nonoperating Revenues and Expenses	20,528	-
Adjustments to Present Data on the Budgetary Basis:		
Additions	28,750	66,580
Subtractions	<u>-</u>	<u>(1,397,537)</u>
Statement of Revenues, and Expenses - Budget and Actual (Budgetary Basis)	<u><u>\$ 946,626</u></u>	<u><u>\$ 1,043,371</u></u>

D. Related Party Transactions

Three of the Authority's board members and one of the Authority's employees are affiliated with the banking institutions in which the Authority transacts business as either employees or board members of those institutions. At June 30, 2012, the deposits in Mohave State Bank totaled \$60,319. At June 30, 2012, the deposits in Mission Bank totaled \$1,483,837.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans

Defined Contribution Pension Plan

The Authority's 401(a) Retirement Plan is a defined contribution pension plan established by the Authority and administered by Nationwide Life Insurance to provide benefits at retirement to all full-time employees of the Authority. At June 30, 2012, there were eight plan members. Plan members are required to contribute 6% of covered salary. The Authority is also required to contribute 6% of covered salary. Plan provisions and contribution requirements are established and may be amended by the Authority's governing board. Covered payroll for the year totaled \$360,220. Employee contributions totaled \$21,613 and employer contributions totaled \$21,613 for the year ended June 30, 2012. Employee and employer contributions for the years ending June 30, 2010 and 2011 both totaled \$22,937 and \$23,288, respectively.

F. FAA Commitment for Future Improvements

The Authority is obligated by the Federal Aviation Administration (FAA) to invest an amount equal to the net proceeds of land sales at the Kingman Airport Industrial Park in improvements to and operations of the Kingman Airfield within five years from the date of the sale. The Authority obtained authorization from the FAA during fiscal year 2009-10 to deduct prior year operating expenses from the beginning balance. In fiscal year 2009-10 the Authority had applied enough operating expenses to the fund that it was zeroed out. The Authority did not make any land sales during the 2011-12 fiscal year. The Authority had no amounts obligated to be spent for airfield improvements and operations at June 30, 2012. In addition, the Authority has an additional amount of \$11,349,290 of operating expenses that can be used to offset future year land sales.

G. Contingent Liabilities

In February 2000, the Army Corps of Engineers remediated a portion of the Kingman Airport ("Site"). This remediation consisted of excavating the contaminants and placing the soils into 8 separate pits covered with an asphalt cap. The attempted remediation efforts have failed. Specifically, the asphalt cap has deteriorated, rendering portions of the Site unsuitable for airport operations. The federal government caused the initial contamination and conducted the remediation through a third-party contractor. Therefore, the Kingman Airport Authority, Inc. asserts the federal government should be responsible for the cost to repair the failed remediation. We are unaware of any potential counterclaims the federal government may assert as applicable in this matter.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue			
Leases	\$ 449,647	\$ 529,489	\$ 79,842
Intergovernmental Revenue	75,000	46,718	(28,282)
Contributions and Donations	-	12,769	12,769
Interest Revenue	5,000	5,745	745
Application Fees	4,000	400	(3,600)
Land Sales	325,000	-	(325,000)
Capital Contributions	1,537,500	28,750	(1,508,750)
Miscellaneous Revenues	1,250	1,614	364
Airport Usage Fees	286,100	321,141	35,041
Total Operating Revenues	<u>2,683,497</u>	<u>946,626</u>	<u>(1,736,871)</u>
Operating Expenses			
Personnel	470,000	454,624	15,376
Payroll Taxes and Benefits	139,155	132,494	6,661
Office Expenses	20,550	16,348	4,202
Professional Services	83,000	52,735	30,265
Maintenance and Repairs	158,000	37,681	120,319
Motor Pool	32,500	20,736	11,764
Operational Expense	351,400	262,173	89,227
Capital Outlay	2,547,290	66,580	2,480,710
Total Operating Expenses	<u>3,801,895</u>	<u>1,043,371</u>	<u>2,758,524</u>
Excess (Deficiency) of Revenue Over Expenses	<u>\$ (1,118,398)</u>	<u>\$ (96,745)</u>	<u>\$ 1,021,653</u>